

Wisconsin Department of Public Instruction, School Financial Services Team
WISCONSIN PUBLIC SCHOOL DISTRICT AUDIT MANUAL

SPECIAL EDUCATION AUDIT PROGRAM
STATE ID # 255.101

The special education program must be audited every year. Please note that the most current (2013-14 if you are auditing 2013-14) special education report and expenditures should be audited.

I. PROGRAM OBJECTIVES

The special education aid program provides state funding for special education services to children with disabilities and services to school-age parents. Special education aid is provided under Wisconsin Statute 115.88 and 118.255, and aid for school-age parents falls under Wisconsin Statute 115.93. Both are funded through the same appropriation, 20.255(2)(b), and the vast majority of aid is for special education. This is a cost-reimbursement program that provides funding based on eligible costs in the prior year.

II. PROGRAM PROCEDURES

The total funds available for special education aid are appropriated by the Wisconsin Legislature. An amount is paid to each eligible LEA based on eligible expenditures reported. Aid payments are prorated as total eligible expenditures exceed the appropriation.

Special Education Aid is applied for annually through the School Finance Reporting Portal using the fiscal year Special Education Annual Report (PI-1505-SE). The PI-1505-SE report collects special education expenditures by function, object, and project code. The project code identifies how the expenditure is funded. **Eligibility guidance is provided in the documentation listed in the addendum at the end of this document.**

Once the district has either loaded their information into the PI-1505-SE report or submitted the PI-1505-SE report the following reports are available:

- a) PI-1505-SE Reported Values* (This report shows all reported expenditure accounts with amounts by function).
- b) The PI-1505-SE Expenses by Project* (This report shows all reported expenditures with amounts by project).
- c) PI-1505-SE Aid Estimate* (This report shows the aid eligible costs claimed and estimated aid for the district).

Districts obtain the expenditures reported on the PI-1505-SE from the Fund 27 general ledger. Expenditures reported on the PI-1505-SE are reconciled to the general ledger by district staff.

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III. COMPLIANCE REQUIREMENTS AND AUDIT PROCEDURES

NOTE: Several procedures refer to the **NVL/QC Worksheet** which must be completed and submitted if costs are identified. Instructions for downloading the worksheet can be found in the Addendum on page 8. Costs identified on the worksheet must reflect the district's submitted PI-1505-SE report—the district should not recode expenses after the worksheet is completed and submitted. When the worksheet is complete, submit it:

- Via email to dpisfsreports@dpi.wi.gov with “*District – Special Education NVL/QC Worksheet*” in the subject line. The completed Excel workbook must be submitted; do not submit a PDF or scan.
- Via fax to 608-266-2840, attention “Special Education NVL/QC Worksheet.”

A. TYPES OF SERVICES ALLOWED AND UNALLOWED

1. Compliance Requirement

District staff must be appropriately licensed for a district to claim special education categorical aid. The license must cover the ages/grades of the staff's assignment. DPI maintains special education staff listings (valid and non-valid) for each fiscal year.

Audit Procedures

1. For each individual listed in the “Educators Without Valid Licenses” section of the NVL/QC Worksheet, identify their salary, benefits, or contract fees by WUFAR account. Auditors are not required to test these individuals for a valid license. The only requirement is to file the worksheet with the cost and account information. This information must be provided regardless of whether a license was issued or how a cost was coded (e.g. project 019 or Fund 10).
 - a. If there are no salary, benefits, or contract fees for an individual, report a \$0 cost and provide an explanation. (Individuals are reported by the district on the PI-1202 fall staff report; it would be unusual for a district to report someone they never actually paid.)
2. If the district believes an individual was incorrectly identified on the “Educators Without Valid Licenses” list:
 - a. Determine the correct position, assignment, and grade level through inquiry of appropriate district personnel.
 - b. Request that the District Administrator or individual authorized to complete the PI-1202 prepare a representation letter indicating that the previously reported information was incorrect. The letter must include both the previously reported and the corrected information for each individual. A sample letter is available at http://sfs.dpi.wi.gov/files/sfs/doc/sped_repltr.doc.

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- c. The representation letter and any supporting documentation may be submitted by the auditor with the NVL worksheet, or separately by the district. If the district wishes to submit it separately, check “Yes” under “Please indicate whether you are going to fax supporting documents” on the NVL worksheet.

2. Compliance Requirement

Project codes are used in Fund 27 to identify expenditures eligible for special education categorical aid. Salary and benefits eligible for categorical aid must be coded to the proper project code (011) on the district’s general ledger. Staff must be properly licensed to be claimed (coded to 011) on the district’s general ledger.

Audit Procedures

1. Perform a payroll test using the valid license listing.
 - a. Obtain the valid license staff listing from the DPI website.
 - b. Select a sample of staff with valid licenses from this listing.
 - c. Test the staff selected in the sample for the following attributes:
 - i. The account (payroll) distribution is proper for the staff person. The payroll distribution should agree to the employee’s assignment.
 - ii. The staff person has the proper license for the account distribution used by the district.
2. Perform a payroll test using the district’s Fund 27 general ledger.
 - a. Obtain the district’s Fund 27 general ledger. Please note that the district may have a batch system that will only show batch totals on the general ledger. This will require the auditor to obtain a labor distribution report to support the amounts on the general ledger.
 - b. Select a sample of staff expended to the categorical aid eligible expenditure (project 011) accounts from the general ledger.
 - c. Test the staff selected in the sample for the following attributes:
 - i. The account (payroll) distribution is proper for the staff person. The payroll distribution should agree to the employee’s assignment.
 - ii. The staff person has the proper license for the account distribution used by the district.
 - iii. The staff person is listed correctly on the valid license listing.
3. Report any individuals identified by the payroll tests as ineligible in the “Additional Questioned Costs” section of the NVL/QC Worksheet, with their salary, benefits, and contract fees by WUFAR account.

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3. Compliance Requirement

Only certain personal service costs (object 310) and certain employee travel costs (object 342) are eligible for state special education categorical aid. Only occupational therapy (function 218100), physical therapy (218200), and licensed bus aides (2567xx) should be reported with object 310 personal services as a 011 eligible cost. Only homebound (156200 and 174200) travel expenditures should be reported with object 342 employee travel as 011 eligible costs.

Audit Procedures

1. Determine if the district is claiming personal service costs (object 310) or employee travel (object 342) expenditures for special education categorical aid by reviewing the expenditures claimed. If so, determine if the claimed costs are eligible, provided by properly licensed individuals.
2. Report any costs identified as ineligible in the “Additional Questioned Costs” section of the NVL/QC Worksheet, with contract fees by WUFAR account.

4. Compliance Requirement

2011 Act 105 and 2013 Act 255 amended Wisconsin Statute 115.88(1) to expand the types of private vendor contractual services eligible for state special education aid. Private vendor contractual services now eligible for state special education aid include aides, substitute teachers, educational audiology, educational interpreter services, orientation and mobility training services, speech and language therapy and student transition services. Expenditures for these services should be the only items coded to function 436000, object 370, project 011.

Audit Procedures

1. Determine if the district is claiming payments to non-governmental agencies (object 370) for special education categorical aid by reviewing the expenditures claimed. If so, determine if the claimed costs are eligible, provided by properly licensed individuals.
2. Report any costs identified as ineligible in the “Additional Questioned Costs” section of the NVL/QC Worksheet, with contract fees by WUFAR account.

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5. Compliance Requirement

A specialized transportation route is eligible for categorical aid if all the students on that route have IEPs requiring the transportation provided by that route. Specialized routes may include routes to/from school, or routes for a particular program or service during the school day. A “regular” route including students with and without IEPs is not eligible for special education categorical aid. Any route for which students are counted for Student Transportation Aid is not eligible for special education categorical aid.

Incidental Benefit Exception: Under strict circumstances, students without disabilities may utilize a specialized route. Refer to the ‘Incidental Benefit’ section of “Specialized Transportation Aid Eligibility and Funding” for more details.

Audit Procedures

1. Determine if the district is claiming specialized transportation expenditures for special education categorical aid by reviewing the expenditures claimed.
 - a. Review the district’s ledger for Fund 27 expenditures coded to any of the 256200- or 256700-series functions and project 011.
2. If there are any such costs:
 - a. Obtain a listing of all specialized transportation routes.
 - b. Test the payroll records and general ledger to determine that these are the only routes claimed for categorical aid.
 - c. Select a randomly chosen sample students from the routes claimed for categorical aid to:
 - i. Test that their IEPs document the need for transportation (or, if not, whether they fell under the Incidental Benefit Exception described above). The service would be checked or noted on each student’s Program Summary (DPI IEP Form I-9) and should be described in the IEP itself.
 - ii. Test whether students transported to and from school were also counted for Pupil Transportation Aid, and if so, in which category.
 - d. The sample should be appropriate to the size of the district’s specialized transportation program and history of compliance with this requirement. It should include students with IEP-required transportation during the school day, in addition to any AM/PM routes to/from school.
3. Identify any questioned costs by amount and WUFAR function. For each route with at least one student without IEP-documented transportation needs who does not fall under the Incidental Benefit Exception (test c.i.):
 - a. Determine the cost of that route and the total number of days it was in service.
 - b. Determine the number of days on which an ineligible student was transported.
 - c. Calculate the questioned cost of the route as:

$$\text{Route Cost} \times (\text{Days Ineligible} \div \text{Total Days})$$

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Report costs in the “Additional Questioned Costs” section of the NVL/QC Worksheet, by WUFAR account.

NOTE: Students identified under test c.ii. are reported under the Pupil Transportation Audit Program, unless pupil transportation is not being audited.

6. Compliance Requirement

Vehicle/Equipment Purchases: Districts must have written approval from DPI to claim the expenditure for the purchase of a vehicle or certain transportation equipment for special education categorical aid. (There is no similar documentation required for IDEA-funded purchases—acceptance of the budget item in the IDEA claim system is approval for the purchase.)

Audit Procedures

1. Review the district’s ledger accounts 27E-256250-550-011, 27E-256250-560-011, 27E-256300-550-011 and 27E-256300-560-011. If there are any expenditures:
 - a. Inquire of the district what was purchased.
 - b. For vehicle(s) purchased, request a copy of the approval letter from the DPI Special Education Director.
 - c. For any equipment purchased, verify whether the unit cost was at least \$10,000, and if so request a copy of the approval letter from the DPI Special Education Director.
2. Identify and report any questioned costs in the “Additional Questioned Costs” section of the NVL/QC Worksheet, by WUFAR account

7. Compliance Requirement

Open enrollment payments for special education students are not included in DPI’s year-end open enrollment reconciliation. Instead the enrolling district bills the resident district directly, dividing tuition between the flat-rate open enrollment base amount (which goes into Fund 10) and the additional special education cost (which goes into Fund 27).

Tuition should be determined and agreed upon using DPI form PI-9423 Special Education Tuition Agreement. Special education open enrollment tuition includes only the additional cost incurred by the enrolling district to service students and not a prorated share of the overall special education program.

Other tuition payments should be similarly divided between a Fund 10 base cost and a Fund 27 additional cost, including payments based on the open enrollment rate used outside that program. Tuition should include only instructional costs. See the “Special Education Tuition” document for more details.

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1. Review the district's general ledger account 27E-437000-382. If there are any expenditures:
 - a. Inquire of the district the total FTE of resident special education students attending another district (enrolled out) under open enrollment.
 - b. Calculate an expected amount of Fund 10 tuition for special education students by multiplying the FTE from (a) by the open enrollment rate.
 - c. Retrieve the amount of DPI-processed tuition from the left (debits) side of the "Calculation of Remaining School District Equalization Aid Payments" worksheet—this is the sum of 'Open Enrollment Tuition Expense Reg Ed' and 'Tuition Waiver Tuition Expense Reg Ed.'
 - d. Verify that the sum of the amounts from (b) and (c) is equal to the expenditures in the district's general ledger account 10E-435000-382.
 - e. Test whether tuition payments are documented by required PI-9423 Special Education Tuition Agreements.
2. Review the district's general ledger account 27R-000000-347. If there are any revenues:
 - a. Inquire of the district the total FTE of non-resident special education students attending (enrolled in) under open enrollment.
 - b. Calculate an expected amount of Fund 10 tuition for special education students by multiplying the FTE from (a) by the open enrollment rate.
 - c. Retrieve the amount of DPI-processed tuition from the right (credits) side of the "Calculation of Remaining School District Equalization Aid Payments" worksheet—this is the sum of 'Open Enrollment Tuition Revenue Reg Ed' and 'Tuition Waiver Tuition Revenue Reg Ed.'
 - d. Verify that the sum of the amounts from (b) and (c) is equal to the revenues in the district's general ledger account 10R-000000-345.
 - e. Test whether tuition receipts are documented by required PI-9423 Special Education Tuition Agreements.
3. Review the district's general ledger accounts 27E-436000-382 and 27R-000000-346. If there are any expenditures or revenues:
 - a. Inquire of the district whether expenditures or revenues include non-open enrollment tuition payments for individual students.
 - i. If so, test remittances and invoices for individual students. Verify that tuition is correctly divided between a base cost coded to Fund 10, if any, and an additional special education cost coded to Fund 27. If the open enrollment flat rate is used, the flat rate amount must be coded to Fund 10.
4. Do not report incorrectly coded tuition on the NVL/QC Worksheet. If the district recodes any identified tuition revenues and expenditures (and, if necessary, its Fund 27 transfer) before submitting its PI-1505/PI-1505-SE reports, the auditor does not need to issue a finding for this compliance requirement.

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B. REPORTING REQUIREMENTS

1. Compliance Requirement

Fund 27 expenditures are reported by the district to DPI online through the School Finance Reporting Portal using the fiscal year Special Education Report (PI-1505-SE). The general ledger for Fund 27 must support expenditures reported in the PI-1505-SE.

Audit Procedures

1. Obtain a general ledger summary and detailed expenditure report of Fund 27 from the district in the following format: 6 digit function, 3 digit object, and 3 digit project code. The district may include summary totals.
2. Obtain the *PI-1505-SE Reported Values* (This report shows all reported expenditure accounts with amounts by function).
3. Trace the total expenditures reported on the *PI-1505-SE Reported Values* to the total amounts on the general ledger summary or detailed general ledger expenditure report of Fund 27.
4. Trace the aidable expenditures (project 011) reported on the *PI-1505-SE Reported Values* to the project 011 amounts on the general ledger summary or detailed general ledger expenditure report of Fund 27.

Please note that some districts will not have their special education claim completed during audit field work. In this case you may need to audit from the general ledger and later verify amounts with the special education reports.

2. Compliance Requirement

All questioned costs, findings, and the aid estimate must be reported to DPI.

Audit Procedures

1. Report audit findings and questioned costs in the “Schedule of Findings and Questioned Costs” in the district’s audited financial statements or single audit report. Questioned costs must be reconciled to the NVL/QC Worksheet.
2. Submit the NVL/QC Worksheet as soon as it is completed. Submission instructions are in the note on page 2.
3. Obtain the final printout of the *PI-1505-SE Aid Estimate* (as adjusted by any known errors during performance of the above procedures) and identify total eligible cost on *Schedule of State Awards* footnote.

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Addendum
Reports and Guidance Needed to Audit State Special Education

Reports Needed from the District

- 1) District's detailed general ledger for fund 27 to include at a minimum 6 digit function, 3 digit object code and 3 digit project code.
- 2) District's summary general ledger for fund 27 to include at a minimum 6 digit function, 3 digit object code and 3 digit project code.
- 3) General ledger details of fund 10 accounts 10E-435000-382 and 10R-000000-345.
- 4) The district's "Calculation of Remaining School District Equalization Aid Payments" worksheet (also available under 'June/July Aid Payment Reconciliation' at http://sfs.dpi.wi.gov/sfs_steqaidexp/).
- 5) The total FTE, if any, of special education students enrolled out of and into the district under the open enrollment program (handled directly with the other district, not by DPI).
- 6) ***Once the district has either loaded their information into the PI-1505-SE report or submitted the PI-1505-SE report the following reports are available from the DPI special education program:***
 - a) *PI-1505-SE Reported Values* (This report shows all reported expenditure accounts with amounts by function).
 - b) *The PI-1505-SE Expenses by Project* (This report shows all reported expenditures with amounts by project).
 - c) *PI-1505-SE Aid Estimate* (This report shows the aid eligible costs claimed and estimated aid for the district).

These three reports are available and can only be accessed from the PI-1505-SE report by district staff; auditors do not have access.

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Reports Needed from the DPI Portal

These two reports are available through the School Finance Reporting Portal:

http://sfs.dpi.wi.gov/sfs_safrlinks

Select the “Auditors Log In to Submit Data” link, choose the district, click on “Financial Data Home,” click on “Special Education No Valid License/Questioned Cost,” and enter the ID and password assigned your firm.

- 7) The listing of special education/pupil services staff with valid licenses. (This information is displayed on the page, but is not available for download.)
- 8) The “Special Education NVL/QC Worksheet in Excel Format” (NVL/QC Worksheet).

Guidance Needed from the DPI Website

- 9) The basic open enrollment transfer amount, available at http://oe.dpi.wi.gov/oe_funding.

All other documents are available at http://sfs.dpi.wi.gov/sfs_specedn:

- 10) “Special Education and School-Age Parents Aid Eligibility” describes the overall program and cost eligibility requirements. (Note: The Fund 27 Matrix is a schematic representation of valid account codes; it does not define eligible costs.)
- 11) “Valid Reporting and License Codes for Special Education/Student Services Staff” lists the required DPI licenses for staff by WUFAR function.
- 12) “2011 Act 105/2013 Act 255 Funding Guidance” provides more information on the privately-contracted services eligible for categorical aid under recent legislation.
- 13) “Specialized Transportation Aid Eligibility and Funding” describes the service requirements for specialized transportation costs to be eligible for categorical aid. Specific eligible transportation costs are itemized in “Special Education and School-Age Parents Aid Eligibility.”
- 14) “Special Education Tuition” describes the approved methods for determining tuition from educational agencies, and the requirement that only additional or excess costs of special education be coded to Fund 27.

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